

# **CITY OF MONTPELIER**

## **ANNUAL FINANCIAL REPORT**

**September 30, 2013**

**Gary H. Teuscher  
Certified Public Accountant  
110 N. 8<sup>th</sup> Street  
Montpelier, ID 83254**

CITY OF MONTPELIER

ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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GARY H. TEUSCHER  
CERTIFIED PUBLIC ACCOUNTANT  
110 N. 8<sup>TH</sup> STREET  
MONTPELIER, ID 83254

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Montpelier  
Montpelier, ID 83254

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Idaho as of and for the year ended September 30, 2013 which collectively comprise the City's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Idaho, as of September 30, 2013, and the respective changes in financial position, and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *GOVERNMENT AUDITING STANDARDS*, I have also issued my report dated December 10, 2013, on my consideration of the City of Montpelier's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *GOVERNMENT AUDITING STANDARDS* in considering the City's internal control over financial reporting and compliance.



December 10, 2013

City of Montpelier  
Management Discussion and Analysis  
For the year ending September 30, 2013

This discussion of the City of Montpelier's financial performance provides an overview of the City's financial activities for the year ending September 30, 2013. This report is in conjunction with the City's financial statements.

The City operates under a Mayor/Council form of government. The purpose of the City is to provide general services to its residents which include: general government, public improvements, streets, sewer and water systems, planning and zoning, and general administrative services.

#### **Financial Highlights**

During the course of the fiscal year ended September 30, 2013, the City's operating income remained consistent with the income received during the prior year.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. These statements consist of the Statement of Net Position and the Statement of Activities. The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are recorded on the accrual basis as soon as the underlying event occurs that gives rise to the change. All of the current year's revenues and expenses are taken into account regardless of when cash is received.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

#### **Fund Financial Statements**

A *Fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

## **Governmental Funds**

*Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds as well as balances of spendable resources available at the end of the year. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund operations provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs.

The City maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for this fund. The City adopts an annual appropriated budget for its governmental fund.

## **Proprietary Funds**

The City maintains two proprietary funds, the Sewer and Water Funds, which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the sewer and water operations.

## **Notes to the Financial Statements**

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

## **Government-wide Financial Analysis**

The tables provided hereafter show net assets, changes in net assets, and capital assets for the year ended September 30, 2013 (the fiscal year 2013). Data for the year ended September 30, 2012 and 2011 is also provided for comparative purposes. The City's net assets may serve over time as a useful indicator of a local government's financial position. In the case of the City, assets exceeded liabilities by \$4,233,345.00 at September 30, 2013. Assets exceeded liabilities by \$4,076,095.00 at September 30, 2012 and \$4,020,399.00 at September 30, 2011.

By far the largest portion of the City's net assets (84% in the 2013 fiscal year and 90% in 2012 and 93% in 2011) reflect its investment in capital assets (e.g. buildings, machinery, equipment, and related improvements), less any related debt and accumulated depreciation. The City uses these capital assets to house operations of the City such as the administration and sewer and water departments. Other assets include our sewer and water lines. Consequently these assets are not available for future spending.

At the end of the year, the City is able to report positive balances in all categories of net assets. The City's net assets increased by \$157,250.00 during the 2013 fiscal year, increased by \$55,696.00 during the 2012 fiscal year and decreased by \$42,207.00 during the 2011 fiscal year.

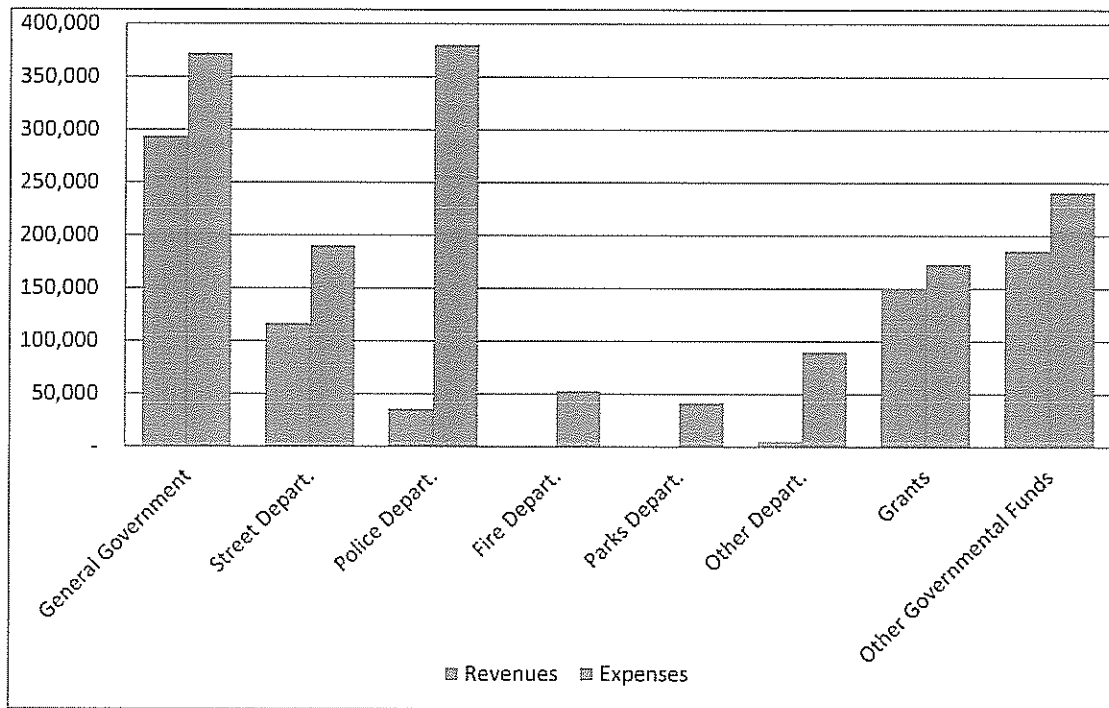
	Governmental Activities		
	2013	2012	2011
Current assets	135,636	86,009	(29,500)
Capital assets	1,371,710	1,432,467	1,486,387
Total assets	<u>1,507,346</u>	<u>1,518,476</u>	<u>1,456,887</u>
Current liabilities	44,274	30,353	49,200
Non-current liabilities	18,099	34,003	46,910
Total liabilities	<u>62,373</u>	<u>64,356</u>	<u>96,110</u>
Deferred inflows	<u>51,064</u>	<u>44,469</u>	<u>48,657</u>
<u>Net position</u>			
Net investment in capital assets	1,353,611	1,398,464	1,439,477
Restricted	30,833	6,000	-
Unrestricted	<u>9,465</u>	<u>5,187</u>	<u>(127,357)</u>
Total net position	<u>1,393,909</u>	<u>1,409,651</u>	<u>1,312,120</u>

	Business-type Activities		
	2013	2012	2011
Current assets	630,942	408,725	410,919
Capital assets	2,247,160	2,329,188	2,359,911
Total assets	<u>2,878,102</u>	<u>2,737,913</u>	<u>2,770,830</u>
Current liabilities	2,468	29,319	14,687
Non-current liabilities	36,198	42,150	47,864
Total liabilities	38,666	71,469	62,551
<u>Net position</u>			
Net investment in capital assets	2,210,962	2,287,038	2,312,047
Restricted	-	-	-
Unrestricted	<u>628,474</u>	<u>379,406</u>	<u>396,232</u>
Total net position	<u>2,839,436</u>	<u>2,666,444</u>	<u>2,708,279</u>
Total combined net position	<u>4,233,345</u>	<u>4,076,095</u>	<u>4,020,399</u>

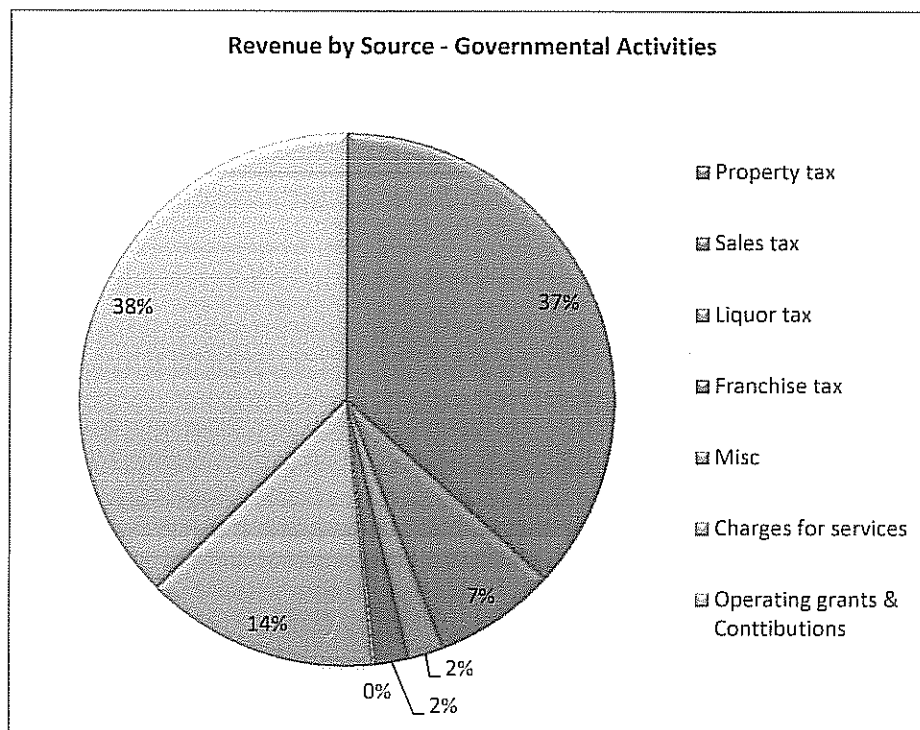
	Governmental Activities		
	2013	2012	2011
Program revenues			
Charges for services	215,540	200,537	188,768
Operating grants	573,675	561,238	433,096
Capital grants	-	-	-
General revenues			
Property tax	560,585	558,479	531,860
Other taxes	146,373	140,909	137,302
Other	32,273	39,845	37,830
Total revenues	1,528,446	1,501,008	1,328,856
Expenses			
General government	372,394	236,219	249,710
Public safety	433,625	451,086	450,835
Streets and roads	190,635	193,222	123,822
Culture and recreation	547,534	522,950	613,523
Total expenses	1,544,188	1,403,477	1,437,890
Change in net assets	(15,742)	97,531	(109,034)
Net assets - Beginning	1,409,651	1,312,120	1,421,154
Net assets - End of year	1,393,909	1,409,651	1,312,120
	Business-type Activities		
	2013	2012	2011
Revenues			
Charges for services	980,547	823,195	791,243
Interest-other	-	29,688	-
Total revenues	980,547	852,883	791,243
Expenses			
Sewer	318,533	403,657	285,303
Water	489,022	491,061	439,113
Total expense	807,555	894,718	724,416
Change in net assets	172,992	(41,835)	66,827
Net assets - Beginning	2,666,444	2,708,279	2,641,452
Net assets - end of year	2,839,436	2,666,444	2,708,279



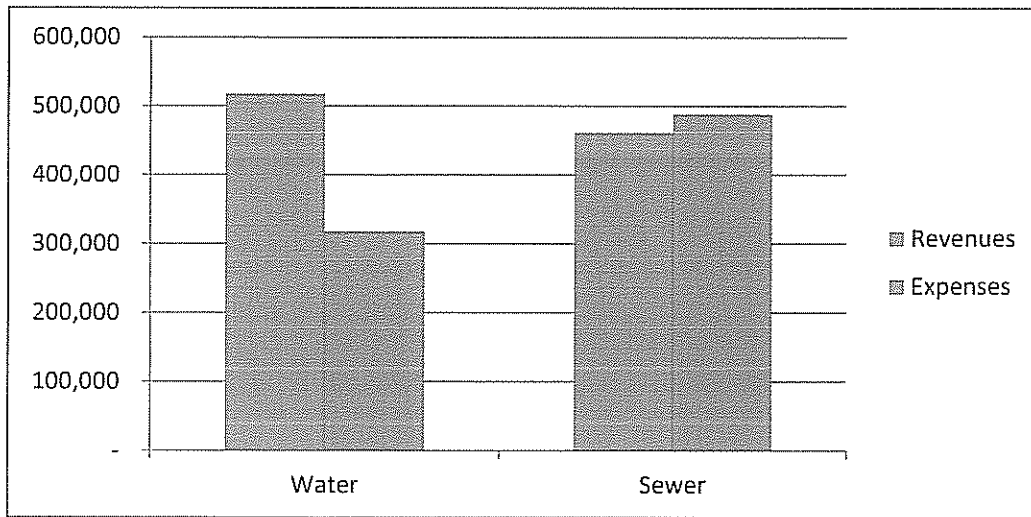
### Expenses and Program Revenues - Governmental Activities



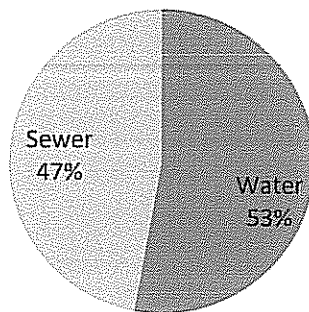
### Revenue by Source - Governmental Activities



### Expenses and Program Revenues - Business Type Activities



### Revenue By Source - Business Type Activities



## Budgetary Highlights

The City Council adopted the final year budget in September 2012.

### Capital Assets

The City's investment in capital assets, net of depreciation for its governmental and business-type activities as of September 30, 2013, was \$3,618,870.00. This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. The City purchased a backhoe this year.

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Land, buildings, and improvements	1,371,710	1,432,467	2,247,160	2,329,188
Total	<u>1,371,710</u>	<u>1,432,467</u>	<u>2,247,160</u>	<u>2,329,188</u>

Additional information on the City's capital assets can be found in the notes to the financial statements.

### Long-term Debt

	Balance 9/30/13	Balance 9/30/12
General Fund	18,099.30	21,075.13
Sewer Fund	18,099.30	21,075.13
Water Fund	18,099.30	21,075.13
	<u>54,297.90</u>	<u>63,225.39</u>

### Request for Information

This financial report is designed to provide a general overview of the City of Montpelier's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, 534 Washington Street, Montpelier, ID 83254.

CITY OF MONTPELIER  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

	Governmental activities	Business- type activities	2013 Total	2012 Total
<b>Assets</b>				
Cash and cash equivalents	(33,902)	521,317	487,415	291,004
Receivables, Net of allowance for uncollectable	63,635	109,625	173,260	101,312
Taxes receivables	52,226	-	52,226	47,855
Intergovernmental receivable	53,677	-	53,677	52,563
Capital assets, Net of depreciation	1,371,710	2,247,160	3,618,870	3,761,655
<b>Total assets</b>	<b>1,507,346</b>	<b>2,878,102</b>	<b>4,385,448</b>	<b>4,254,389</b>
<b>Liabilities</b>				
<u>Current liabilities</u>				
Accounts payable	43,817	1,554	45,371	58,046
Interest payable	457	914	1,371	1,626
<b>Total current liabilities</b>	<b>44,274</b>	<b>2,468</b>	<b>46,742</b>	<b>59,672</b>
<u>Noncurrent liabilities</u>				
Due within one year	18,099	36,198	54,297	20,565
Due in more than one year	-	-	-	55,588
<b>Total noncurrent liabilities</b>	<b>18,099</b>	<b>36,198</b>	<b>54,297</b>	<b>76,153</b>
<b>Total liabilities</b>	<b>62,373</b>	<b>38,666</b>	<b>101,039</b>	<b>135,825</b>
<u>Deferred inflows of resources</u>				
Unavailable revenues-property tax	51,064	-	51,064	44,469
<b>Total deferred inflows from property tax</b>	<b>51,064</b>	<b>-</b>	<b>51,064</b>	<b>44,469</b>
<b>Net position</b>				
Net invested in capital assets	1,353,611	2,210,962	3,564,573	3,685,502
Restricted for: fire truck	30,833	-	30,833	6,000
Unrestricted	9,465	628,474	637,939	384,593
<b>Total net assets</b>	<b>1,393,909</b>	<b>2,839,436</b>	<b>4,233,345</b>	<b>4,076,095</b>

The accompanying notes are an integral part of this statement.

CITY OF MONTPELIER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Net (Expenses) revenue and changes					
	Program revenues			in net assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities
<b>Governmental activities</b>						
General government	372,394	59,882	234,162	-	(78,350)	-
Street department	190,635	2,683	114,475	-	(73,477)	-
Police department	380,545	36,182	-	-	(344,363)	-
Fire department	53,080	-	-	-	(53,080)	-
Parks department	42,065	500	-	-	(41,565)	-
Other departments	90,345	5,666	-	-	(84,679)	-
Grants	173,714	-	149,480	-	(24,234)	-
Other governmental funds	241,410	110,627	75,558	-	(55,225)	-
Total governmental activities	1,544,188	215,540	573,675	-	(754,973)	-
<b>Business-type activities</b>						
Sewer	318,533	518,277	-	-	-	199,744
Water	489,022	462,270	-	-	-	(26,752)
Total business-type activities	807,555	980,547	-	-	-	172,992
Total primary government	2,351,743	1,196,087	573,675	-	(754,973)	172,992
General revenues:						
Property tax					560,585	-
Sales tax					113,958	-
Inventory allocations					697	-
Liquor tax					31,718	-
Interest					260	-
Franchise tax					32,013	-
Transfers					-	-
Total general revenue & transfers					739,231	-
Change in net position					(15,742)	172,992
Net position - Beginning					1,409,651	2,666,444
Net position - Ending					1,393,909	2,839,436
					4,233,345	4,076,095

The accompanying notes are an integral part of this statement.

CITY OF MONTPELIER  
BALANCE SHEET  
GOVERNMENTAL FUNDS

September 30, 2013

	General fund	BID capital project fund	Other governmental funds	Total governmental funds 2013	Total governmental funds 2012
<b>ASSETS</b>					
Cash	6,699	1,927	(42,528)	(33,902)	(49,198)
Accounts receivable					
Taxes - property	49,587	-	2,639	52,226	47,855
State of Idaho	48,939	-	-	48,939	49,166
County	4,738	-	-	4,738	3,397
Other	38,306	-	25,329	63,635	34,789
Total assets	<u>148,269</u>	<u>1,927</u>	<u>(14,560)</u>	<u>135,636</u>	<u>86,009</u>
<b>Liabilities &amp; Fund balance</b>					
<b>Liabilities</b>					
Accounts payable	41,563	-	2,254	43,817	29,811
Leases payable	-	-	-	-	12,928
Total liabilities	<u>41,563</u>	<u>-</u>	<u>2,254</u>	<u>43,817</u>	<u>42,739</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue - property tax - other	48,474	-	2,590	51,064	44,469
Total deferred inflows of revenues	<u>48,474</u>	<u>-</u>	<u>2,590</u>	<u>51,064</u>	<u>44,469</u>
<b>Fund balance</b>					
Assigned	46,307	-	-	46,307	9,879
Unassigned	11,925	1,927	(19,404)	(5,552)	(11,078)
Total fund balance	<u>58,232</u>	<u>1,927</u>	<u>(19,404)</u>	<u>40,755</u>	<u>(1,199)</u>
Total liabilities, Deferred inflows of resources & Fund balance	<u>148,269</u>	<u>1,927</u>	<u>(14,560)</u>	<u>135,636</u>	<u>86,009</u>
<b>RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS (GOVERNMENTAL FUNDS)</b>					
Total fund balance				40,755	(1,199)
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.					
				1,371,710	1,432,467
Accrued interest payable was not due payable in the current period and therefore is not reported in the funds.					
				(457)	(542)
Amount payable in the next year for capital asset purchase was not included in the funds.					
				(18,099)	(21,075)
Net position of governmental funds.				<u>1,393,909</u>	<u>1,409,651</u>

The accompanying notes are an integral part of this statement.

CITY OF MONTPELIER  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General fund	BID capital project fund	other governmental funds	Total governmental funds	2012 governmental funds
<b>Revenue</b>					
Property tax	525,317	-	35,268	560,585	554,491
Sales tax	97,360	-	16,598	113,958	109,533
Liquor tax	31,718	-	-	31,718	30,853
Revenue sharing funds	83,000	-	-	83,000	78,774
Road fund allotment	85,110	-	-	85,110	84,211
County road and bridge	29,365	-	-	29,365	23,250
Penalties and interest	7,722	-	-	7,722	8,131
Grant funds	149,480	-	75,558	225,038	341,740
<b>Local services</b>					
Licenses, permits and fees	54,805	-	-	54,805	58,828
Interest on investments	260	-	-	260	732
Miscellaneous	24,559	1,255	-	25,814	5,210
Charges for services	47,686	10,827	98,545	157,058	162,154
Excise tax	32,013	-	-	32,013	39,113
<b>Total revenue</b>	<u>1,168,395</u>	<u>12,082</u>	<u>225,969</u>	<u>1,406,446</u>	<u>1,497,020</u>
<b>Expenditures</b>					
Administrative	359,323	-	-	359,323	223,148
Street department	175,186	-	-	175,186	197,542
Police department	396,295	-	-	396,295	392,611
fire department	35,960	-	-	35,960	40,579
Parks department	42,065	-	-	42,065	39,368
Industrial park	628	-	-	628	816
Ordinance control	59,816	-	-	59,816	57,277
Golf course	29,901	-	-	29,901	41,691
Grants	170,053	-	-	170,053	159,556
Interest and fiscal charges	-	-	-	-	950
Maintenance and operation	-	-	217,265	217,265	195,199
<b>Total expenditures</b>	<u>1,269,227</u>	<u>-</u>	<u>217,265</u>	<u>1,486,492</u>	<u>1,348,737</u>
<b>Excess revenues (Expenditures)</b>	<u>(100,832)</u>	<u>12,082</u>	<u>8,704</u>	<u>(80,046)</u>	<u>148,283</u>
<b>Other financing sources (Uses)</b>					
Transfers in (out)	122,000	-	-	122,000	-
<b>Net changes in fund balance</b>	<u>21,168</u>	<u>12,082</u>	<u>8,704</u>	<u>41,954</u>	<u>148,283</u>
<b>Fund balance - Beginning</b>	<u>37,064</u>	<u>(10,155)</u>	<u>(28,108)</u>	<u>(1,199)</u>	<u>(149,482)</u>
<b>Fund balance - Ending</b>	<u>58,232</u>	<u>1,927</u>	<u>(19,404)</u>	<u>40,755</u>	<u>(1,199)</u>

The accompanying notes are an integral part of this statement.

CITY OF MONTPELIER  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
September 30, 2013

BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES.	2013	2012
Net change in fund balance	41,954	148,283
Amounts reported for governmental activities in the statement of net assets are different because:		
Accrued interest expense	(790)	(820)
Property tax-deferred revenue adjustment	3,851	(200)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay	28,264	35,586
Depreciation expense	(89,021)	(89,506)
Excess of depreciation expense over capital outlay	(60,757)	(53,920)
Change in net assets of governmental activities.	(15,742)	93,343

The accompanying notes are an intergal part of this statement.



CITY OF MONTPELIER  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013

	Sewer fund	Water fund	Total 2013	Total 2012
<b>Assets</b>				
Cash and Cash equivalents	473,233	48,084	521,317	340,202
Receivables, Net of allowance for uncollectibles	67,794	41,831	109,625	68,523
Total current assets	541,027	89,915	630,942	408,725
Capital assets, Net of depreciation improvements and equipment	219,201	2,027,959	2,247,160	2,329,188
Total net assets	760,228	2,117,874	2,878,102	2,737,913
<b>Liabilities</b>				
Current liabilities				
Accounts payable	483	1,071	1,554	28,235
Accrued interest payable	457	457	914	1,084
Total current liabilities	940	1,528	2,468	29,319
Noncurrent liabilities				
Note payable	18,099	18,099	36,198	42,150
Total noncurrent liabilities	18,099	18,099	36,198	42,150
Total liabilities	19,039	19,627	38,666	71,469
<b>Net position</b>				
Net invested in capital assets	201,102	2,009,860	2,210,962	2,287,038
Restricted	-	-	-	-
Unrestricted	540,087	88,387	628,474	379,406
Total net position	741,189	2,098,247	2,839,436	2,666,444
Total liabilities and net position	760,228	2,117,874	2,878,102	2,737,913

The accompanying notes are an integral part of this statement.

CITY OF MONTPELIER  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Sewer fund	Water fund	Total proprietary funds	Total 2012
Operating revenue				
Total operating revenue	518,277	462,270	980,547	823,195
Operating expenses				
Payroll	168,694	281,943	450,637	421,228
Depreciation	12,801	69,227	82,028	86,729
Maintenance & Development	136,248	137,062	273,310	384,921
Total operating expenses	317,743	488,232	805,975	892,878
Operating income (Loss)	200,534	(25,962)	174,572	(69,683)
Non-operating revenues (Expenses)				
Grant revenue	-	-	-	29,688
Interest expense	(790)	(790)	(1,580)	(1,840)
Income (Loss) before operating transfers	199,744	(26,752)	172,992	(41,835)
Transfers out	-	-	-	-
Change in net position	199,744	(26,752)	172,992	(41,835)
Total net position - Beginning	541,445	2,124,999	2,666,444	2,708,279
Total net position - Ending	741,189	2,098,247	2,839,436	2,666,444

The accompanying notes are an integral part of this statement.

CITY OF MONTPELIER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
September 30, 2013

	Sewer fund	Water fund	Total proprietary fund	Total 2012
Cash flows from operations				
Cash received from customers	484,031	454,584	938,615	821,192
Cash payments to suppliers	(136,248)	(162,913)	(299,161)	(370,143)
Cash payments to employees	(168,694)	(281,943)	(450,637)	(421,228)
Net cash provided by operating activities	179,089	9,728	188,817	29,821
Cash flows from non capital financing activities:				
Transfers to (from) other funds	-	-	-	-
Net cash provided by non capital financing activities	-	-	-	-
Cash flows from capital related financing activities:				
Grant revenue	-	-	-	29,688
Capital outlay	-	-	-	(56,006)
Principal paid	(2,976)	(2,976)	(5,952)	(5,714)
Interest and fiscal charges paid	(875)	(875)	(1,750)	(1,986)
Net cash used for capital and related financing activities	(3,851)	(3,851)	(7,702)	(34,018)
Cash flows from investing activities:				
Interest on investments	-	-	-	-
Net cash from investing activities	-	-	-	-
Net increase in cash and cash equivalents	175,238	5,877	181,115	(4,197)
Balances - Beginning of year	297,995	42,207	340,202	344,399
Balances - Ending of year	473,233	48,084	521,317	340,202
Reconciliation of operating income to net provided by operating activities:				
Operating income (Loss)	200,534	(25,962)	174,572	(69,683)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	12,801	69,227	82,028	86,729
Change in assets and liabilities:				
Rceivable (Net)	(33,416)	(7,686)	(41,102)	(2,003)
Accounts payable	(830)	(25,851)	(26,681)	14,778
Net cash provided by operating activities	179,089	9,728	188,817	29,821

The accompanying notes are an intergal part of this statement.

CITY OF MONTPELIER  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Montpelier have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant City accounting policies are described below.

The City's financial statements include the accounts of all operations. The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of such significant policies:

A. Financial Reporting Entity

The City of Montpelier is chartered under the laws of the State of Idaho. The City is presently governed by a Mayor/Council form of Government and provides the following services: public improvements, streets, planning and zoning, sewer and water, and general administrative services.

The financial statements of the City consist of the funds of the City. The City has no oversight responsibility for any other governmental entity, since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. There are no component units of the City.

B. Government-Wide Statements and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF MONTPELIER  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

1. General Fund

This is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

2. Business Improvement District

This fund accounts for streets and roads, maintenance and repairs.

The City reports the following major proprietary funds:

1. Sewer Fund

This fund accounts for all sewer revenue and expenditures.

2. Water Fund

This fund accounts for all water revenue and expenditures.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Cash includes amounts in demand deposits as well as highly liquid investments with maturity dates of thirty days or less.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans), or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the government-wide financial statements are referred to as "internal balances".

CITY OF MONTPELIER  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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3. Inventory

Inventories of fuel, supplies, etc., are immaterial and are not recorded. Expenditures are recognized in the fund when purchased.

4. Property Taxes

Property tax revenue of the City of Montpelier is levied, collected, and distributed by Bear Lake County, as required by State law. Idaho statutes establish the process by which taxes are levied and collected. Final certification of these levies by the State of Idaho Tax Commission is not completed until after September 30. Property taxes are billed to the taxpayers in November and are due in two installments. Half of the real, personal, and mobile home property taxes are due on December 20 and the remainder is due the following June 20. Other property taxes are due December 20. Property taxes not paid constitute a lien on the property when entered on the real property assessment roll as delinquent on the first day of January of the succeeding year. The County bills and collects all property taxes and remits to the City its share on a monthly basis.

As of January 1, 2013, real property taxes assessed but uncollected for calendar year 2012 and earlier are delinquent property taxes. It is expected that all delinquencies and accrued interest will be collected within a three year period, after which time, the County Treasurer may force the sale of property to collect the delinquent taxes.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of over one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Life in Years</u>	<u>Capitalization Threshold</u>
Buildings	15-50	10,000
Improvements	20-35	10,000
Equipment	2-15	5,000
Vehicles	3-7	5,000

6. Deferred Inflows

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The government has only one type of item that qualifies for reporting in this category. The government reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF MONTPELIER  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements. Prior to September 30, the City holds hearings on a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

During the fiscal year, the Council of the City may amend the annual appropriated budget by unanimous resolution in case of an emergency, through the courts, or by the budget hearing process. The appropriated budget can only be increased by an amount equal to unanticipated revenues. In no event can property taxes be increased. Management at departmental level does not have authority to amend the budget.

B. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Accumulated unpaid vacation, sick pay, and other employee benefits are accrued when incurred in proprietary funds on the accrual basis of accounting. Such amounts are not accrued in governmental funds, on the modified accrual basis of accounting.

C. Accumulated Vacation Pay and Sick Leave

City policy regarding vacation is as follows: No vacation time will be paid for except at time of separation. Vacation time may be accumulated up to 24 days as of January 1 of each year. Any unused over and above this amount will be lost to the employee. No liability has been set up on City books for accumulated vacation pay. Because employee time is allocated between various funds based on time spent, accumulated vacation pay would be considered a part of the general fund.

The City's policy regarding sick leave is as follows: Each employee may accumulate sick leave at the rate of one day per month worked, up to a total of 182 days. Sick leave may not be used for any other purpose, and will not be paid for at time of separation.

CITY OF MONTPELIER  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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III. DETAILED NOTES ON ALL FUNDS

A. Employee Retirement Program

Public Employee Retirement System of Idaho (PERSI)- The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighters) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand-alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov).

The actuarially determined contribution requirements of the City and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2013 the required rate as a percentage of covered payroll for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighters. The City's contributions required and paid were \$134,567.44, \$140,700.94, and \$135,209.65 for the three years ended September 30, 2013, 2012 and 2011 respectively.

B. Insurance

The City is fully insured with both fire and comprehensive general liability and equipment and auto coverage as follows:

Policy #: 21AD2120100102- Idaho Counties Risk Management Program

This policy covers all areas of risk to the City. The coverage began October 1, 2002 and is in force as of this audit date.



CITY OF MONTPELIER  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

C. Property, Plant and equipment

1. Governmental funds capital assets

	General fund	BID fund	Other governmental funds	Total all funds
Prior lands, Building, and improvements	2,715,459	630,354	98,684	3,444,497
2013 Additions	28,264	-	-	28,264
2013 Deletions	-	-	-	-
Total	2,743,723	630,354	98,684	3,472,761
Accumulated depreciation	1,751,442	187,345	73,243	2,012,030
2012 Additions	64,876	21,012	3,133	89,021
2012 Deletions	-	-	-	-
Total	1,816,318	208,357	76,376	2,101,051
Property, Plant, and equipment net of depreciation	927,405	421,997	22,308	1,371,710
Total all funds				1,371,710

Depreciation expense was charged to functions as follows:

General government (Administrative)	13,071	-	-
Street department	18,510	-	-
Police department	12,514	-	-
Fire department	17,120	-	-
Parks department	-	-	-
Grants	3,661	-	-
Golf course	-	-	-
Business improvement district	-	21,012	-
Cemetery	-	-	918
Recreation	-	-	2,215
Street lights	-	-	-
Total 2012 depreciation	64,876	21,012	3,133

CITY OF MONTPELIER  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

2. Proprietary Fund Assets

	Enterprise Funds		
	Sewer	Water	Total
Prior Lands, Buildings and Improvements	633,247	3,143,569	3,776,816
2013 Additions	-	-	-
Total	<u>633,247</u>	<u>3,143,569</u>	<u>3,776,816</u>
Accumulated Depreciation	401,245	1,046,383	1,447,628
2013 Additions	<u>12,801</u>	<u>69,227</u>	<u>82,028</u>
Total	<u>414,046</u>	<u>1,115,610</u>	<u>1,529,656</u>
Property, Plant and Equipment-Net	<u>219,201</u>	<u>2,027,959</u>	<u>2,247,160</u>

D. Operation in Taxes Receivable

Tax Year	Balance 10/1/2012	Roll Charge	Collections	Adjustments	Balance 9/30/2013
2009	7,220		7,220		
2010	12,849		6,478	0	6,371
2011	24,399		10,801	0	13,599
2012		568,182	536,066	(1021)	31,095
	<u>44,469</u>	<u>568,182</u>	<u>560,564</u>	<u>(1021)</u>	<u>51,064</u>
September 2013 Collections Receivable from the County					<u>1,161</u>
Total Taxes Receivable					<u>52,225</u>

Deferred taxes at 9-30-13 were \$ 51,064.00.

Property taxes levies are computed by Bear Lake County for the City on or before the 3<sup>rd</sup> Monday of September. Final certification of these levies by the State of Idaho State Tax Commission is not completed until after September 30. Property taxes are billed to the taxpayers in November and are due in two installments. Half of the real, personal and mobile home property taxes are due on December 20 and the remainder is due the following June 20. Other property taxes are due December 20. Property taxes not paid constitute a lien on the property when entered on the real property assessment roll as delinquent on the first day of January of the succeeding year. The County bills and collects all property taxes and remits to the City its share on a monthly basis.

Property tax revenues are recognized when received. Taxes receivable consist of amounts levied and collected by the County but not remitted to the City as of September 30, 2012.

Total property taxes levied for 2012 were \$568,181.76 on a taxable market value of \$91,094,237.00.

CITY OF MONTPELIER  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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E. Deposits and Investments

Deposits and investments for local government are governed by Idaho Code. Following are discussions of the local government's exposure to various risks related to its cash management activities.

1. Custodial Risk

Custodial credit risk for deposits is the risk in the event of a bank failure; the local government's deposits may not be recovered. As of September 30, 2013 \$477,930.83 of the local government's bank balance of \$477,930.83 was insured through the Federal Depositary Insurance Corporation (FDIC).

2. Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with Idaho Code.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair market value of an investment. The local government manages its exposure to declines in fair value by adhering to the Idaho Code.

The City maintains one checking account for all funds. In addition, investment in money market accounts and certificates of deposit are held by the City. The City also invests in the Idaho State Local Government Investment Pool maintained by the Idaho State Treasurer.

At September 30, 2013, the City's cash and cash equivalents consisted of the following:

	<u>Balance Per Books</u>	<u>Balance Per Bank</u>
Zions Bank	15,561.29	15,561.29
Ireland Bank	205,315.83	249,649.24
US Bank	214,595.50	212,720.30
State Treasurer's Pool	<u>51,942.57</u>	<u>51,942.57</u>
Total Cash and Cash Equivalents	<u><u>487,415.19</u></u>	<u><u>529,873.40</u></u>

CITY OF MONTPELIER  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

F. Business Improvement District (BID) Capital Project

The City entered a contract with the Department of Commerce, State of Idaho, for downtown revitalization. Federal grant monies in the form of an Idaho Community Development Block Grant were awarded to the City in the amount of \$500,000.00. An additional \$60,000.00 was granted by the Idaho Department of Transportation. The City was obligated under the grant to provide \$246,000.00 in matching funds. These funds were generated locally from in-kind contributions by the City of \$49,000.00, downtown merchants contributions of \$97,000.00, and local bank loans to merchants for façade improvements in the amount of \$100,000.00.

In addition, \$98,000.00 of assets for the project consisting of benches, planters, light poles, and equity in a front end loader were provided by Zions Bank under a lease purchase agreement. Interest on the agreement has been computed at 4.15% annum. Rental payments are due annually commencing June 1, 2004, in the amount of \$12,172.90 and are due on the first day of June every year through June 1, 2013. Total cost of the agreement is \$121,729.04, consisting of \$98,000.00 lease and \$23,729.04 interest. The lease agreement was paid off in June of 2013.

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>	<u>Principal Balance</u>
2013	<u>11,672.93</u>	<u>0</u>	<u>11,672.93</u>	<u>-</u>
Total	<u>11,672.93</u>	<u>0.00</u>	<u>11,672.93</u>	<u>-</u>

G. Long Term Debt

1. Changes in Long Term Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
General Fund	21,075.13	-	2,975.83	18,099.30
Sewer Fund	21,075.13	-	2,975.83	18,099.30
Water Fund	21,075.13	-	2,975.83	18,099.30
	<u>63,225.39</u>	<u>-</u>	<u>8,927.49</u>	<u>54,297.90</u>

The City purchased a backhoe from Western States in February 2010 for \$92,000.00 less a trade in allowance of a Ford backhoe for \$7,500.00 and a down payment of \$4,472.64. The balance of \$80,027.34 is to be split between the General Fund Street Department and the Sewer and Water funds listed above.

CITY OF MONTPELIER  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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Below is the payment schedule for each of the three funds.

	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2013	-	-	-	18,099.30
2014	<u>18,850.44</u>	<u>751.14</u>	<u>18,099.30</u>	<u>-</u>
	<u>18,850.44</u>	<u>751.14</u>	<u>18,099.30</u>	

H. Subsequent Events

There are no known subsequent events that will have a material impact on the operation of the City.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONTPELIER  
SCHEDULES OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	original and final budgeted amounts	Actual amounts	Variance with final budget positive (Negative)	2012 Actual amounts
Revenue				
General property tax	530,873	525,317	(5,556)	532,274
Sales tax	93,848	97,360	3,512	105,573
Liquor tax	30,000	31,718	1,718	30,853
Revenue sharing funds	79,116	83,000	3,884	78,774
Road fund allotment	86,868	85,110	(1,758)	84,211
County road and bridge	20,000	29,365	9,365	23,250
Penalties and interest	6,500	7,722	1,222	8,131
Grant funds-loans	187,724	149,480	(38,244)	278,997
Local services				
Licenses, permits and fees	43,525	54,805	11,280	58,828
Interest on investments	500	260	(240)	732
Miscellaneous	8,000	24,559	16,559	5,210
Charges for services	51,640	47,686	(3,954)	78,380
Excise tax	39,200	32,013	(7,187)	39,113
Total revenue	1,177,794	1,168,395	(9,399)	1,324,326
Expenditures				
Administrative	322,442	359,323	(36,881)	223,048
Street department	195,000	175,186	19,814	197,542
Police department	414,140	396,295	17,845	392,611
Fire department	49,700	35,960	13,740	40,579
Parks department	48,000	42,065	5,935	39,368
Industrial park	1,000	628	372	816
Ordinance control	57,400	59,816	(2,416)	57,277
Golf course	21,971	29,901	(7,930)	41,691
Grants - other	186,204	170,053	16,151	159,556
Total expenditures	1,295,857	1,269,227	26,630	1,152,488
Excess of revenues over expenditures	(118,063)	(100,832)	17,231	171,838
Net interfund transfers	122,000	122,000	-	-
Fund balance - Beginning	37,064	37,064		(134,774)
Fund balance - Ending	41,001	58,232	17,231	37,064

The accompanying notes are an integral part of this statement.

CITY OF MONTPELIER  
SCHEDULES OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
BUSINESS IMPROVEMENT DISTRICT  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original and final budget amounts	Actual amounts	Variance with final budget positive (negative)	2012 actual amounts
Revenue				
Charge for service	12,173	12,082	(91)	10,325
Total revenue	12,173	12,082	(91)	10,325
Expenditures				
Administrative	-	-	-	100
Interest expense	485	-	485	950
Total expenditures	485	-	485	1,050
Excess of revenue over expenditures	11,688	12,082	394	9,275
Net interfund transfers			-	-
Fund balance - Beginning	(19,430)	(10,155)	-	(19,430)
Fund balance - ending	(7,742)	1,927	394	(10,155)

The accompanying notes are an integral part of this statement.



## OTHER SUPPLEMENTAL INFORMATION

CITY OF MONTPELIER  
 COMBINING BALANCE SHEET  
 ALL OTHER GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013

	Recreation fund	Street lights fund	Cemetery fund	Debt service fund	Total other governmental funds	Total 2012
<b>Assets</b>						
Cash	(22,447)	(29,110)	9,029	-	(42,528)	(18,919)
Accounts receivable	25,329	-	-	-	25,329	-
Taxes receivable - Property	-	1,892	747	-	2,639	1,967
<b>Total assets</b>	<b>2,882</b>	<b>(27,218)</b>	<b>9,776</b>	<b>-</b>	<b>(14,560)</b>	<b>(16,952)</b>
<b>Liabilities &amp; fund balance</b>						
Accounts payable	2,102	112	40	-	2,254	9,346
<b>Total liabilities</b>	<b>2,102</b>	<b>112</b>	<b>40</b>	<b>-</b>	<b>2,254</b>	<b>9,346</b>
<b>Deferred inflows of resources</b>						
Unavailable revenue-property tax-other	-	1,858	732	-	2,590	1,810
<b>Total deferred inflows of revenues</b>	<b>-</b>	<b>1,858</b>	<b>732</b>	<b>-</b>	<b>2,590</b>	<b>1,810</b>
<b>Fund balance</b>						
Assigned	-	-	-	-	-	9,879
Unassigned	780	(29,188)	9,004	-	(19,404)	(37,987)
<b>Total fund balance</b>	<b>780</b>	<b>(29,188)</b>	<b>9,004</b>	<b>-</b>	<b>(19,404)</b>	<b>(28,108)</b>
<b>Total liabilities, Deferred inflows of resources &amp; fund balance</b>	<b>2,882</b>	<b>(27,218)</b>	<b>9,776</b>	<b>-</b>	<b>(14,560)</b>	<b>(16,952)</b>

The accompanying notes are an integral part of this statement.

## September 30, 2013

The accompanying notes are an integral part of this statement.

Gary H. Teuscher  
Certified Public Accountant  
110 North 8<sup>th</sup> Street  
Montpelier, ID 83254

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council  
City of Montpelier  
Montpelier, ID 83254

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund of the City of Montpelier as of and for the year ended September 30, 2013, which collectively comprise the City of Montpelier's basic financial statements and have issued my report thereon dated December 10, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Montpelier, Idaho, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis..

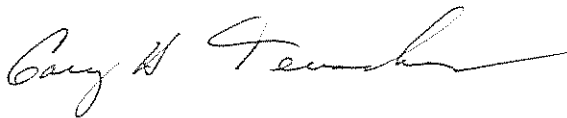
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *GOVERNMENT AUDITING STANDARDS*.

I noted certain matters that I reported to management of the City in a separate letter dated December 10, 2013.

This report is intended solely for the information and use of the City of Montpelier, its management, City Council, the Idaho Legislative Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 10, 2013